EVERGRANDE HEALTH INDUSTRY GROUP LIMITED
恒大健康產業集團有限公司

(a company incorporated in Hong Kong with limited liability)

(Stock code: 708)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL SUMMARY

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Health Management Segment:		
Sales of health and living projects	**1,313,376**	158,026
Income from medical cosmetology and health management	**15,098**	55,505
	1,328,474	213,531
Media Segment: (Discontinued operation)		
Advertising income	**74,712**	142,054
Circulation income	**24,797**	40,244
Digital business income	**85,269**	56,080
Provision of magazine content	**317**	779
	185,095	239,157
Gross profit (Continuing operations)	**846,302**	88,593

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Profit/(loss) attributable to:		
— Owners of the Company	**307,748**	44,345
— Non-controlling interests	**(6,333)**	5,843
	301,415	50,188
Earnings/(losses) per share for profit/(loss) attributable to owners of the Company	**RMB3.562 cents**	RMB0.513 cents

The board of directors (the "**Board**" or the "**Directors**") of Evergrande Health Industry Group Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2017 (the "**Year**") together with comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017** *RMB'000*	2016 *RMB'000* (Restated) *(Note 2(i))*
Continuing operations			
Revenue	*3*	**1,328,474**	213,531
Cost of sales		**(482,172)**	(124,938)
Gross profit		**846,302**	88,593
Other (costs)/income, net		**(1,423)**	33,242
Selling and marketing costs		**(70,526)**	(10,227)
Administrative expenses		**(134,092)**	(40,107)
Operating profit		**640,261**	71,501
Finance income	*4*	**20,609**	23,388
Finance costs	*4*	**(6,136)**	(1,647)
Finance income, net		**14,473**	21,741
Profit before income tax		**654,734**	93,242
Income tax expense	*5*	**(349,777)**	(43,722)
Profit from continuing operations		**304,957**	49,520
Discontinued operation			
(Loss)/profit from discontinued operation	*6*	**(3,542)**	668
Profit for the year		**301,415**	50,188
Other comprehensive income:			
Items that may not be reclassified to profit and loss:			
Currency translation differences		**3,193**	7,510
Total comprehensive income for the year		**304,608**	57,698

	Note	**2017**	2016
		RMB'000	*RMB'000*
			(Restated)
			(Note 2(i))
Profit/(loss) attributable to owners of the Company arising from:			
— Continuing operations		**310,936**	43,744
— Discontinued operation		**(3,188)**	601
		307,748	44,345
Other comprehensive income attributable to owners of the Company:			
Currency translation differences		**6,957**	10,441
Total comprehensive income attributable to owners of the Company		**314,705**	54,786
(Loss)/profit attributable to non-controlling interests:			
— Continuing operations		**(7,573)**	5,776
— Discontinued operation		**1,240**	67
		(6,333)	5,843
Other comprehensive loss attribute to non-controlling interests:			
Currency translation differences		**(3,764)**	(2,931)
Total comprehensive (loss)/profit attributable to non-controlling interests		**(10,097)**	2,912
Total comprehensive income for the year		**304,608**	57,698
Earnings/(losses) per share for profit/(loss) attributable to owners of the Company	*7*	**RMB3.562 cents**	RMB0.513 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000 (Restated) (Note 2(i))	As at 1 January 2016 RMB'000 (Restated) (Note 2(i))
ASSETS				
Non-current assets				
Property, plant and equipment		**704,025**	254,598	74,110
Land use rights		**221,923**	226,593	—
Goodwill		**—**	622	584
Long-term prepayments	*9*	**5,108**	243,658	129,952
Intangible assets		**3,161**	5,666	2,269
Deferred income tax assets		**6,577**	3,744	2,868
		940,794	734,881	209,783
Current assets				
Inventories		**128**	748	2,581
Prepayments, trade and other receivables	*9*	**496,678**	195,494	86,645
Properties under development		**3,529,677**	663,063	—
Completed properties held for sale		**170,174**	127,213	—
Cash and bank balances		**2,301,683**	1,033,585	372,008
Restricted deposits		**217,193**	67,452	50,834
Income tax recoverable		**—**	—	1,331
		6,715,533	2,087,555	513,399
Total assets		**7,656,327**	2,822,436	723,182
EQUITY				
Equity attributable to owners of the Company				
Share capital		**250,936**	250,936	250,936
Retained earnings		**460,548**	191,242	154,275
Reserves		**121,760**	113,107	73,455
		833,244	555,285	478,666
Non-controlling interests		**(1,003)**	11,566	8,654
Total equity		**832,241**	566,851	487,320

	Note	As at 31 December 2017 RMB'000	2016 RMB'000 (Restated) (Note 2(i))	As at 1 January 2016 RMB'000 (Restated) (Note 2(i))
LIABILITIES				
Non-current liabilities				
Borrowings	*10(a)*	**3,720,000**	758,200	63,036
Finance leases	*10(b)*	**77,165**	—	—
Deferred income tax liabilities		**—**	126	969
Loans from fellow subsidiaries		**—**	362,293	41,955
		3,797,165	1,120,619	105,960
Current liabilities				
Trade and other payables	*11*	**640,549**	528,611	49,472
Receipt in advance	*11*	**507,542**	125,841	31,165
Borrowings	*10(a)*	**1,539,400**	480,460	49,000
Finance leases	*10(b)*	**18,710**	—	—
Current income tax liabilities		**320,720**	54	265
		3,026,921	1,134,966	129,902
Total liabilities		**6,824,086**	2,255,585	235,862
Total equity and liabilities		**7,656,327**	2,822,436	723,182
Net current assets		**3,688,612**	952,589	383,497
Total assets less current liabilities		**4,629,406**	1,687,470	593,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The financial information relating to the year ended 31 December 2017 and the financial information relating to the year ended 31 December 2016 included in this preliminary announcement results for the year ended 31 December 2017 do not constitute the Company's statutory annual consolidated financial statements for these years but are derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2017 to the Registrar for Companies in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2 ACCOUNTING POLICIES

(i) Change in presentation currency

During the year ended 31 December 2017, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to Renminbi ("RMB") for the preparation of its consolidated financial statements following the disposal of Media Segment (the "Disposal"). After the Disposal, the remaining principal activities of the Group are mainly conducted in the People's Republic of China (the "PRC") where the functional currency of those subsidiaries in the PRC are denominated in RMB and all of the Group's revenue will be denominated in RMB. Accordingly, the directors of the Company considered that the change would result in a more appropriate presentation of the Group's performance and financial position in these consolidated financial statements and provide more relevant financial information to the readers.

The change in presentation currency has been applied retrospectively. The comparative figures in these consolidated financial statements were then translated to RMB using the applicable closing rates for assets and liabilities in the consolidated balance sheet and applicable average rates for items in the consolidated statement of comprehensive income and the consolidated statement of cash flows. Share capital, share premium and reserves were translated at the exchange rate at the date when the respective amounts were determined (i.e. historical exchange rates).

(ii) Discontinued operation

On 9 November 2017, the Company completed the disposal of its entire equity interest in New Media Group Limited and its subsidiaries (together, the "Disposal Group") and the entire shareholder's loan amounted to approximately HK$56,000,000 (equivalent to approximately RMB47,283,000) due and payable by New Media Group Limited to Right Bliss Limited, a wholly-owned subsidiary of the Company, at a cash consideration of HK$63,000,000 (equivalent to approximately RMB53,602,000) (the "Disposal"). The Disposal Group represented a separate line of business of the Group. For the presentation of the consolidated financial statements for the years ended 31 December 2017 and 2016, the Disposal Group was regarded as discontinued operation.

(iii) New amendments to existing standards adopted by the Group

The following new amendments to existing standards are mandatory for the first time for the financial period beginning 1 January 2017. The adoption of these amended standards does not have any significant impact to the results or financial position of the Group.

Amendment to HKAS 7	Statement of Cash Flows
Amendment to HKAS 12	Income taxes
Amendments to HKFRS 12	Disclosure of Interest in Other Entities

(iv) New standards, amendments to existing standards and new interpretations have been issued but are not effective for the financial period beginning 1 January 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 28	Measuring an Associate or Joint Venture at Fair Value	1 January 2018
Amendments to HKAS 40	Transfers of Investment property	1 January 2018
Amendments to HKFRS 1	Deletion of Short-Term Exemptions for First-Time Adopters	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC) Int-22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) Int-23	Uncertainty over income tax treatments issued	1 January 2019

The Group has already commenced an assessment of the impact of these new standards, amendments to existing standards and new interpretations, certain of which are relevant to the Group's operations.

3 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess the performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into two segments:

Health Management:	"Internet+" community health management, international hospitals, elderly care and rehabilitation, medical cosmetology, anti-ageing and sales of health and living projects.
Media:	Magazine publishing, distribution of magazines, digital business and provision of magazine content in Hong Kong.

Management has identified the reportable segments based on the Group's business model and assesses the performance of the operating segments based on profit before tax. Unallocated corporate expenses, finance income and costs and income tax expense are not included in segment results.

(a) Geographical information

The Group's revenue from external customers based on the location where the sales occurred and information about its non-current assets (excluding financial instruments and deferred tax assets) by geographical location of the assets are detailed below:

	Revenue from external		**Non-current assets**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
		(Note 2(i))		*(Note 2(i))*
Continuing operations				
— PRC	**1,328,474**	213,531	**934,217**	715,933
Discontinued operation				
— Hong Kong	**180,359**	234,903	**—**	15,204
— PRC	**4,736**	4,254	**—**	—
	185,095	239,157	**—**	15,204

(b) Segment revenue and results

The segment information provided to the CODM for the years ended 31 December 2017 and 2016 is as follows:

	Continuing operations			Discontinued operation	Total
	Health Management	Unallocated	Sub-total	Media	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017					
Segment revenue and revenue from external customers	**1,328,474**	**—**	**1,328,474**	**185,095**	1,513,569
Segment results	**658,871**	**—**	**658,871**	**14,105**	672,976
Corporate expenses	**—**	**(18,610)**	**(18,610)**	**—**	(18,610)
Finance income	**16,408**	**4,201**	**20,609**	**11**	20,620
Finance cost	**(3,517)**	**(2,619)**	**(6,136)**	**—**	(6,136)
Profit/(loss) before income tax	**671,762**	**(17,028)**	**654,734**	**14,116**	668,850
Income tax expense	**(349,777)**	**—**	**(349,777)**	**(1,702)**	(351,479)
Loss on disposal	**—**	**—**	**—**	**(15,956)**	(15,956)
Profit/(loss) for the year	**321,985**	**(17,028)**	**304,957**	**(3,542)**	301,415
Other Segment items:					
Additions to property, plant and equipment	**478,692**	**—**	**478,692**	**2,026**	480,718
Depreciation	**(14,685)**	**—**	**(14,685)**	**(4,255)**	(18,940)
Amortisation	**(7,458)**	**—**	**(7,458)**	**—**	(7,458)
Interest income	**16,408**	**4,201**	**20,609**	**11**	20,620
Interest expense	**(3,517)**	**(2,619)**	**(6,136)**	**—**	(6,136)

	Continuing operations			Discontinued operation	Total
	Health Management	Unallocated	Sub-total	Media	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016					
Segment revenue and revenue from external customers	213,531	—	213,531	239,157	452,688
Segment results	71,217	—	71,217	4,005	75,222
Corporate income	—	284	284	—	284
Finance income	1,053	22,335	23,388	16	23,404
Finance cost	(1,647)	—	(1,647)	(3,040)	(4,687)
Profit before income tax	70,623	22,619	93,242	981	94,223
Income tax expense	(43,722)	—	(43,722)	(313)	(44,035)
Profit for the year	26,901	22,619	49,520	668	50,188
Other segment items:					
Additions to property, plant and equipment	197,463	—	197,463	597	198,060
Additions to land use rights	230,050	—	230,050	—	230,050
Depreciation	(9,055)	—	(9,055)	(8,238)	(17,293)
Amortisation	(5,150)	—	(5,150)	—	(5,150)
Interest income	1,053	22,335	23,388	16	23,404
Interest expense	(1,647)	—	(1,647)	(3,040)	(4,687)

The segment assets as at 31 December 2017 and 31 December 2016 are as follows:

	Continuing operations			Discontinued operation	Total
	Health Management	Unallocated	Sub-total	Media	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017					
Segment assets	**7,560,816**	**—**	**7,560,816**	**—**	**7,560,816**
Corporate assets	**—**	**95,511**	**95,511**	**—**	**95,511**
Total assets	**7,560,816**	**95,511**	**7,656,327**	**—**	**7,656,327**
As at 31 December 2016 (Restated)					
Segment assets	2,216,603	—	2,216,603	123,776	2,340,379
Corporate assets	—	482,057	482,057	—	482,057
Total assets	2,216,603	482,057	2,698,660	123,776	2,822,436

4 FINANCE INCOME/(COSTS)

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
		(Note 2(i))
Continuing operations		
Finance income		
— Bank interest income	**20,609**	23,388
Finance costs		
— Interest expense on borrowings	**(191,433)**	(23,493)
— Interest expense on finance leases	**(3,140)**	—
	(194,573)	(23,493)
Interest capitalised	**188,437**	21,846
Finance costs	**(6,136)**	(1,647)
Finance income, net	**14,473**	21,741

5 INCOME TAX EXPENSE

The amount of income tax charged/(credited) to profit or loss represents:

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
		(Note 2(i))
Continuing operations		
Current tax:		
PRC corporate income tax	**125,118**	23,838
PRC land appreciate tax	**227,515**	18,354
Deferred taxation	**(2,856)**	1,530
Income tax expense	**349,777**	43,722

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2017 (2016: 16.5%).

PRC corporate income tax is calculated at 25% of the estimated assessable profit for the year ended 31 December 2017 (2016: 25%). The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible including land use rights and all property development expenditures.

6 DISCONTINUED OPERATION

On 9 November 2017, the Company completed the disposal of its entire equity interest in New Media Group Limited and the entire shareholder's loan amounted to approximately HK$56,000,000 (equivalent to approximately RMB47,283,000) due and payable by New Media Group Limited to Right Bliss Limited, a wholly-owned subsidiary of the Company, at a cash consideration of HK$63,000,000 (equivalent to approximately RMB53,602,000). New Media Group Limited and its subsidiaries were mainly engaged in the magazine publishing, distribution of magazines, digital business and provision of magazine content business. The Media Segment Business represented a separate major business segment and the Disposal Group was presented as a discontinued operation. Upon completion of the Disposal, the Group ceased to have any equity interest in New Media Group Limited.

	2017	2016
	RMB'000	*RMB'000*
Profit after tax from discontinued operation *(Note (a))*	**12,414**	668
Loss on disposal *(Note (b))*	**(15,956)**	—
(Loss)/profit from discontinued operation	**(3,542)**	668

(a) Analysis of the results of the discontinued operation is set out below:

The analysis of the profit or loss from the Media Segment Business presented as a discontinued operation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" is as follow:

	For the period from 1 January 2017 to 9 November 2017	Year ended 31 December 2016
	RMB'000	*RMB'000*
Revenue	**185,095**	239,157
Other income and other gains, net	**(2,211)**	21,955
Expenses		
— Depreciation of property, plant and equipment	**(4,255)**	(8,238)
— Employee benefit expenses	**(44,337)**	(66,017)
— Operating lease rentals for rented premises and machines	**(8,752)**	(13,470)
— Cost of sales	**(95,340)**	(154,907)
— Other expenses	**(16,095)**	(14,475)
Operating profit from discontinued operation	**14,105**	4,005
Finance income/(costs), net	**11**	(3,024)
Profit before income tax from discontinued operation	**14,116**	981
Income tax expense	**(1,702)**	(313)
Profit after tax from discontinued operation attributable to the owners of the Company	**12,414**	668
Profit after tax from discontinued operation attributable to:		
— Owners of the Company	**11,174**	601
— Non-controlling interest	**1,240**	67

(b) Analysis of loss on disposal is as follows:

	9 November 2017
	RMB'000
Total consideration satisfied by:	
Cash consideration	53,602
Less: Net assets disposed of:	
Property, plant and equipment	(8,285)
Trade receivables	(52,463)
Other receivables, deposits and prepayments	(15,446)
Cash and cash equivalents	(56,722)
Trade payables	6,800
Amounts due to related companies	73,659
Others	27,710
	(24,747)
Net assets attributable to non-controlling interests	2,472
Share of net assets disposed of	(22,275)
Less: Shareholder's loan due from New Media Group Limited	(47,283)
Loss on disposal	(15,596)

7 EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share attributable to the owners of the Company is based on the following data:

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
		(Note 2(i))
Weighted average number of ordinary shares for the purpose of basic earnings/(losses) per share	**8,640,000,000**	8,640,000,000
Basic and diluted earnings/(losses) per share (RMB cents)		
— from continuing operations	**3.599**	0.506
— from discontinued operation	**(0.037)**	0.007
	3.562	0.513

8 DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
		(Note 2(i))
Final dividend paid of Nil cents (2016: Nil cents) per ordinary share	**—**	—

9 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
		(Note 2(i))
Trade receivables	**213,845**	108,241
Less: allowance for doubtful debts	**—**	(614)
	213,845	107,627
Prepayments	**42,935**	254,361
Deposits	**214,187**	8,807
Other receivables from:		
— third parties	**29,755**	9,078
— related companies	**1,064**	59,279
	501,786	439,152
Less: non-current portion:		
— prepayments for land use rights	**—**	(200,157)
— prepayments for property, plant and equipment	**(5,108)**	(43,501)
	(5,108)	(243,658)
Current portion	**496,678**	195,494

The Group normally grants credit terms of 30 days to 180 days to the Health Management Segment's customers with reference to their payment records and business relationship. For the Media Segment's customers, settlement of the sales from circulation income from magazines shall be made by the distributor within 10 days after the verification of the quantity of magazines sold. Credit limit and outstanding balance from advertising income will be reviewed by the management once a month.

The following is an aging analysis of trade receivables based on the invoice date at the reporting date, which approximated the respective revenue recognition date:

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
		(Note 2(i))
Age		
0–90 days	**199,422**	90,432
91–180 days	**301**	14,171
Over 180 days	**14,122**	3,638
	213,845	108,241

10 BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
		(Note 2(i))
Bank Borrowings	**5,259,400**	1,238,660
Finance Leases	**95,875**	—
Total Borrowings	**5,355,275**	1,238,660

(a) Bank Borrowings

	2017	2016
Borrowings	**5,259,400**	1,238,660
Less: non-current borrowings — secured	**(3,720,000)**	(758,200)
Current borrowings — secured	**1,539,400**	480,460

(b) Finance leases

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
		(Note 2(i))
Commitments in relation to finance leases are payable as follows:		
Within one year	**20,490**	—
Later than one year but not later than five years	**89,087**	—
Minimum lease payments	**109,577**	—
Future finance charges	**(13,702)**	—
Total lease liabilities	**95,875**	—
The present value of finance lease liabilities is as follows:		
Within one year	**18,710**	—
Later than one year but not later than five years	**77,165**	—
	95,875	—

11 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
		(Note 2(i))
Trade and other payables:		
Trade payables	**155,560**	351,331
Other payables to:		
— third parties	**348,779**	176,119
— related companies	**136,210**	1,161
	484,989	177,280
Total trade and other payables	**640,549**	528,611
Receipt in advance from customers:		
Receipt in advance from:		
— sale of health and living projects	**505,450**	119,861
— other customers	**2,092**	5,980
Total receipt in advance	**507,542**	125,841

The Group normally receives credit terms of 60 days to 90 days from its suppliers. The following is an aging analysis of trade payables based on the invoice date at the reporting date:

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
		(Note 2(i))
Age		
0 to 90 days	**147,846**	351,179
91–180 days	**3,229**	97
Over 180 days	**4,485**	55
	155,560	351,331

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The principal business activities of Evergrande Health Industry Group Limited (the "**Company**") and its subsidiaries (together the "**Group**") include healthcare, health management, high-end medical therapy and elderly care under the membership system (collectively, the "**Health Management Segment**").

The principle business activities of the Group in 2017 also included magazine publishing, distribution of magazines, digital business and provision of magazine content (collectively the "**Media Segment**"). As disclosed in the announcement of the Company dated 26 September 2017, Right Bliss Limited, a wholly-owned subsidiary of the Company and Future Blossom Limited, a company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of Albert Yeung Holdings Limited, entered into a sale and purchase agreement (the "**Agreement**"), pursuant to which Future Blossom Limited had conditionally agreed to acquire, and Right Bliss Limited had conditionally agreed to sell, the 9,001 ordinary shares of US$1.00 each in the share capital of New Media Group Limited and the entire shareholder's loan outstanding from New Media Group Limited to Right Bliss Limited for a consideration of approximately HK$63 million (equivalent to RMB53.6 million). Completion of the transactions under the Agreement took place in November 2017. As a result, the Company has ceased to hold any interest in New Media Group Limited being the operation arm of Media Segment and does not operate in the Media Segment.

Media Segment

During the year ended 31 December 2017 (the "**Year**"), the New Media Group continued its business as a digital media and content publisher in Hong Kong. Its fully developed on/offline platforms and social networks covered a wide spectrum of topics ranging from travel & entertainment, food & dinning, lifestyle & fashion, sports, finance and analysis, as well as local culture & trends etc. The Group provided tailor-made services and tactical campaigns that helped clients not only to fulfill their promotional needs, but also expand their brands' marketing reach, ultimately achieving actual conversions and generating sales revenue.

Health Management Segment

The Group proactively implements the national strategy of "Healthy China", and establishes membership mechanism, optimizes medical services, improves healthcare protection, facilitates the implementation of new technologies and develops comprehensive healthcare industry. Adhering to its corporate vision of "enhancing the healthy living standards for the general public", and centering on the healthcare needs of the general public, the Group creates a membership mechanism on all-round healthy life management for all-aged populations, and establishes a service system covering personal lifelong health management, high-end medical and tiered medical services, thereby enhancing the healthy living standards for the general public.

During the Year, the Group initiated the idea of innovative services integrating medical insurance with prevention, medical services and health care. It has established a member platform, which provides comprehensive full-life cycle health management services for members by integrating the world's first-class old-age care and health preserving, medical and commercial insurance and other resources. The Group developed and formulated the first all-round healthcare service standard for all-aged population in China, and innovatively created 'Evergrande Healthy Land', a brand new model for healthcare, elderly care and wellness living that has been constructed in many places nationwide. The Group also deepened its exchange program and cooperation with top international healthcare resources including Brigham and Women's Hospital (the main teaching hospital of Harvard Medical School), progressively fostered the preparation works for the operation of the Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital, and committed to developing a tiered medical service system, namely Evergrande Medical Association, with high-end international hospitals at the top and domestic high-quality 3A hospitals and Henghe Hospital as the basis.

Financial Review

During the Year, the Group's turnover increased by 522.2% to RMB1,328.5 million, as compared with the turnover of RMB213.5 million for the year ended 31 December 2016. The turnover was mainly attributable to the income generated in the Health Management Segment. As the Media Segment was disposed in November 2017, the profit of the Media Segment prior to the disposal was included in the profit or loss in discontinued operation.

The significant increase in turnover of the Health Management Segment during the Year was mainly due to the increase in income from the Evergrande Healthy Land (the "**Healthy Land**") of 731.3% to RMB1,313.4 million from RMB158.0 million in the same period of 2016. During 2017, income from medical cosmetology surgery and out-patient service decreased by 72.8% to RMB15.1 million from RMB55.5 million in the same period of 2016, mainly due to the decline in business volume.

In respect of the revenue of the Media Segment, advertising income decreased by 47.4% to RMB74.7 million during the Year from RMB142.1 million in the same period of 2016, mainly due to the decline in the number of advertisements placed to print media. However, income from digital business only increased by 52.0% to RMB85.3 million in 2017 from RMB56.1 million in the prior year. Despite there was growth in digital business, the growth rate was slower.

The Group's gross profit amounted to RMB846.3 million, increased by 855.2% from RMB88.6 million in 2016. Gross profit margin increased to 64% during the Year from 41% in the same period of 2016, mainly due to the increase in business volume of Healthy Land and the increase in gross profit arising from the increase in total income. In addition, driven by high gross profit margin in the Healthy Land business, the overall gross profit margin has also increased. Cost of the Health Management Segment mainly represents cost of health and living project, labour costs, depreciation of equipments and medicines etc.

The Group recorded other costs, net, of RMB1.4 million during the Year, as compared with an other income, net, of RMB33.2 million in the same period of 2016, mainly due to the decline in other income from medical cosmetology.

Selling and marketing expenses increased by 591.2% to RMB70.5 million during the Year from RMB10.2 million in the same period of 2016, mainly due to the increase in marketing expenses for the Healthy Land project and the increase in sales commissions. Administrative expenses increased by 234.4% to RMB134.1 million during the Year from RMB40.1 million in the same period of 2016. As the business scale of the Company has expanded, there was an increase in salary for management staff and administrative expenses in 2017.

Finance income, net, decreased by RMB7.2 million to RMB14.5 million during the Year from RMB21.7 million in the same period of 2016, mainly due to the increase in interest expenses which could not be capitalized.

Income tax expense increased by 700.5% to RMB349.8 million during the Year from RMB43.7 million in the same period of 2016, mainly due to the increase in income tax expense in relation to the sales of Healthy Land.

Net loss from discontinued operation amounted to RMB3.5 million during the Year, as compared with a net profit of RMB0.7 million in the same period of 2016. This was attributable to the loss arising from the disposal of the Media Segment on the ground that the management was expecting huge pressure in Media Segment amidst the economic uncertainties and fierce market competition. The disposal was conducted so as to enable the Company to focus on its Health Management Segment and optimize its financial structure.

Profit attributable to the shareholders of the Company increased to RMB307.7 million during the Year from RMB44.3 million in the same period of 2016. Basic earnings per share amounted to RMB3.562 cents (2016 (restated): RMB0.513 cents).

Business Review

Media Segment

During the Year, the New Media Group continued its business as a digital media and content publisher in Hong Kong. Its fully developed on/offline platforms and social networks covered a wide spectrum of topics ranging from travel & entertainment, food & dining, lifestyle & fashion, sports, finance and analysis, as well as local culture & trends etc. The Group provided tailor-made services and tactical campaigns that helped clients not only to fulfill their promotional needs, but also to expand their brands' marketing reach, ultimately achieving actual conversions and generating sales revenue. In recognition of its achievements, the New Media Group was awarded the "Media Owner of the Year" for the fourth consecutive year, and also won the "Media Brand of the Year for 2017," as well as 11 Gold, 10 Silver, and 10 Bronze awards at the Spark Awards organised by Marketing magazine, bringing home altogether 33 trophies in total. In view of the increasingly challenging and highly competitive business environment in the Media Segment, the Group disposed of the New Media Group operation in November 2017 so as to enable the Group to focus on the strategic development in its healthcare business.

Health Management Segment

Business Review for Evergrande Healthy Land

In response to the rapid growth of the aging population and the demand for higher living standards of community residents, the Group had developed and formulated the first all-round healthcare service standard for all-aged population in China. It initiated the idea of innovative services integrating medical insurance with prevention, medical services and health care, and established a membership platform. By integrating the world's first-class old-age care and health preserving, medical and commercial insurance and other resources, the Group offers different services for members, such as health care and health preserving, health management, health insurance and elderly healthcare, through the "rent-purchase-travel" mode, so as to realize comprehensive full life-cycle health management.

Evergrande Healthy Land creates a new rent-purchase-travel membership mechanism and a new all-round healthy life for all-aged populations, which also implies a new high-precision, multi-dimension health management mode, a new high-quality multi-level health care mode for the elderly, a new whole life cycle high-availability health insurance system. It originally creates four gardens and provides 852 types of facilities and 867 items of services. Boao Evergrande International Hospital (the "**BEIH**"), which is the only affiliated hospital of Brigham and Women's Hospital in China, together with Evergrande Nursing Home integrate excellent international and domestic hospitals and nursing homes, as well as other resources to create China's world-class health care and sanitorium resort, to fill the gap in domestic health industry and start a new chapter in all-round health care and regime for all-aged populations.

Evergrande Healthy Land which integrates the world's first-class old-age care and health preserving, medical and commercial insurance and other resources, sets up "rent-purchase-travel" member service mode and provides customers with a variety of flexible enrollment selections to meet the diversified needs of the members.

Embracing people of all age groups, Evergrande Healthy Land pioneers four major gardens, namely, YiYang (Keep fit), ChangLe (Cheerfulness), KangYi (Health) and Qinzi (Parent-child), provides 852 types of facilities and 867 items of all-round services such as tourism, learning, meditation, music, cheer, diet, beauty, living, health care and nursing, creates a new healthy life of "one family with three generations, living in two apartments". BEIH keeps pace with international standards and the world's cutting-edge technology, such as Brigham and Women's Hospital, to establish a lifelong health tracking management system for all memberships, conducing multidimensional scientific life management from all aspects like health education, genetic test, risk assessment, preventive intervention, hierarchical diagnosis and treatment, intelligent monitoring, dietary therapy, psychological counseling etc.

Evergrande Healthy Land integrates international advanced healthy old-age care mode, provides the seniors with a health preserving service system combing the integration of medical treatment and rehabilitaion, parent-child shared joy, sojourn and vacation, cosmetic medicine and anti-aging, diversiform classes, entertaining and socializing, and elderly employment; Evergrande Nursing Home provides professional nursing, day care, rehabilitation care, home-based care, humanistic care to the disabled elderly.

Integrating domestic and overseas high-quality insurance resources, Evergrande Healthy Land established a high-level insurance system for all-aged groups, customizing exclusive insurance for the aged under 100 years old, offering members with various types of insurance covering high-end medical, critical illness, long-term care, accidental injury and pension etc., thus realizing green service channel with hundreds of excellent top 3A hospitals in China.

Following the Sanya Haitang Bay Evergrande Healthy Land and the Haihua Island Lien Bay Evergrande Healthy Land, the Xian Evergrande Healthy Land, Zhengzhou Evergrande Healthy Land, Yangzhong Evergrande Healthy Land, Xiangtan Evergrande Healthy Land and Yuntaishan Evergrande Healthy Land are currently under construction. In 2017, there were 1,585 members recruited, and income from members of Evergrande Healthy Land and miscellaneous income exceeded RMB1.3 billion. Among them, the Health Wellness Experience Centers of Sanya Haitang Bay Evergrande Healthy Land and Xian Evergrande Healthy Land have been in operation. At this point, the Evergrande Evergrande Healthy Land project has been deployed nationwide and will provide all-rounded and all-age elderly care and wellness living service for more residents nationwide.

Business Review for Medical Service Business

The Group cooperated with various top-class medical institutions around the world, such as Brigham and Women's Hospital, to establish high-end international hospitals and a tiered medical care system.

"Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital", the first cooperation project of the two parties, strived to gather top-class domestic and international outstanding medical experts and consolidate medical resources such as technology, equipment and the newest medicines. The project introduced an integrated diagnosis and treatment model spanning over multiple disciplines, and offered internationally leading cancer screening, diagnoses, treatments and rehabilitation services. The hospital had formed a therapy team with outstanding experts in China and the United States, and nurtured outstanding medical talents meeting international standards. In addition, with reference to the MDT model in the United States, the hospital had launched multi-discipline clinical decision making through the cooperation of experts from multiple disciplines. The hospital had also introduced various sets of large equipment, including PET-CT, 3.0T magnetic resonance, the latest intelligence TrueBeam linear accelerator, big bore CT, molybdenum target, etc. The construction of Boao Proton Heavy Ion Medical Center has begun, aiming to achieve precise cancer treatment. The Group also established cooperation with outstanding 3A hospitals in China including Ruijin Hospital, the affiliated hospital of the School of Medicine of Shanghai Jiao Tong University, and Hainan

Provincial People's Hospital as well as internationally renowned pharmaceutical companies (including AstraZeneca in the United Kingdom and Novartis in Switzerland), to build an integrated medical research and transfer platform.

Leveraging the clinical research capabilities of Brigham and Women's Cancer Center/Dana-Farber, the hospital fully implemented the management system, the diagnosis and treatment system and the scientific research system of Brigham and Women's Hospital, with the aim of becoming an international clinical, scientific and academic exchange center. The Brigham and Women's Hospital team participated in hospital design and management, and provided consultation services and support for the Group's nationwide medical network. The hospital commenced its trial operations in December 2017, and was officially open on 28 February 2018.

Corporate Milestones

On 25 March 2017, Boao Evergrande International Hospital successfully held the Health Industry Forum of the 2017 Boao Forum for Asia, and discussed the development mode of the comprehensive health industry with renowned domestic and overseas experts in healthcare field at the forum.

In 30 June 2017, the Group and Chinese Geriatrics Society jointly organized the 2017 Chinese Medical and Elderly Care Policy and Operation Summit (2017中國醫養政策與運營研討峰會), which focused on the implementation of medical and elderly care in China and overseas and discussion of development strategy.

On 12 October 2017, Boao Proton International Hospital and Boao Proton Heavy Ion Medical Center (博鰲質子國際醫院暨博鰲質子重離子醫學中心) was officially launched in Boao, Hainan. The establishment represented the first Proton Center in Hainan province and even China.

On 9 November 2017, the Group completed the disposal of its 100% equity interests in New Media Group Holdings Limited, a wholly-owned subsidiary, which enabled the Group to focus on its business development in the comprehensive health industry.

On 14 December 2017, the press conference for "Evergrande Healthy Land" was held in Guangzhou, officially unveiling "Evergrande Healthy Land" to the world. It received wide attention from the central media such as CCTV and Xinhua News Agency, as well as the major mainstream media. In 2018, the brand has been included in the "National Brand Plan" of CCTV.

On 23 December 2017, the Group entered into a strategic cooperation agreement with Ping An Good Doctor, providing high-end medical and healthcare management services for 190 million users at the Ping An Good Doctor Platform.

On 23 December 2017, the Group entered into strategic cooperation agreements with 3A hospitals such as Ruijin Hospital, the affiliated hospital of the School of Medicine of Shanghai Jiao Tong University and Hainan Provincial People's Hospital, and internationally renowned pharmaceutical companies such as AstraZeneca in the United Kingdom and Novartis in Switzerland respectively, to accelerate the formation of an integrated platform for medical research.

On 28 February 2018, Boao Evergrande International Hospital was officially open. On the same day, Boao Public Bonded Drug Warehouse (博鰲公共保稅藥倉) was officially open.

OUTLOOK

Health Management Segment

Outlook for Evergrande Healthy Land"

The Group will further integrate world-class resources on old-age care and health preserving, medical and commercial insurance. Through the multi-model membership service platform of "rent — purchase — travel", the Group aims to provide members with 388 types of healthcare services, 389 types of health management services, 90 types of elderly care services, 5 major types of insurance as well as 852 facilities and equipment under the theme of tourism, learning, meditation, music, cheer, diet, beauty, living, health care, nursing, so as to cover the entire treatment cycle from pre-pregnancy, infants to centenarians, to create a new healthy lifestyle of "one family with three generations, living in two departments".

In 2018, the Group will successively set up Evergrande Healthy Land in the livable and healthy areas in China. In addition to seven livable and healthy areas in which development has already commenced, the Group intends to expand its operations to nine new livable areas, which can accommodate 46,000 members. It aims for an income from members of Evergrande Health and miscellaneous income of RMB10.0 billion. In the coming five years, the Group plans to expand to over 30 livable and healthy areas to serve members of Evergrande Health.

In the future, the Group will cooperate with financial, tourism, Internet and other fields to grasp more members and provide health services for more people.

Outlook for Medical Service Business

Boao Evergrande International Hospital — the affiliated Hospital of Brigham and Women's Hospital has commenced operation in February 2018. Leveraging on the policy advantages of the pilot zone and technical support from Brigham and Women's Hospital, Boao Evergrande International Hospital will provide medical services which focus on breast cancer and liver diseases, to establish characterized discipline and gradually expand to other medical services. Premium medical service resources within China and overseas will be introduced on an ongoing basis and actively cooperate with domestic and overseas technology research institutions to establish a world-leading platform for medical research and transformation.

Meanwhile, the Group will continue to facilitate its cooperation with 3A hospitals across China. A tiered medical treatment system applicable to international hospitals, 3A hospitals across China and Henghe Hospital will be optimized to expand Evergrande Medical Association.

OTHER ANALYSIS

Capital institutions, Liquidity and Financial Resources

The Group financed its operations by borrowings, shareholders' equity and cash generated from operations.

As at 31 December 2017, the Group had borrowings, finance leases and loans from fellow subsidiaries (collectively "**total borrowings**") amounting to RMB5.4 billion (31 December 2016 (restated): RMB1.6 billion).

As at 31 December 2017, the Group's gearing ratio was 69.9% (31 December 2016 (restated): 56.7%). Gearing ratio was calculated as total borrowings divided by total assets.

Employee and Share Option Scheme

As at 31 December 2017, the Group had a total of approximately 673 employees and incurred a total staff cost (including Directors' remuneration) of continuing operations of approximately RMB107.7 million during the Year (2016 (restated): RMB84.0 million).

To provide incentives or rewards to the staff and the Directors of the Company, the Company adopted a share option scheme (the "**Scheme**") on 18 January 2008. No option was granted by the Company under such share option scheme since its adoption and up to 31 December 2017. According to the terms of the Scheme, the Scheme shall be valid and effect for a period of 10 years commencing on 18 January 2008. Therefore, the Scheme has expired on 18 January 2018. No options will be granted under the Scheme.

Media Segment

As at 30 June 2017, the Group's Media Segment had approximately 330 employees. Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include contribution to retirement benefit scheme, medical insurance and other competitive fringe benefits.

As disclosed above, in November 2017, the Group disposed of New Media Group Limited. As a result, the Company has ceased to hold any interest in New Media Group Limited being the operation arm of Media Segment and does not operate in the Media Segment.

Health Management Segment

As at 31 December 2017, the Group's Health Management Segment had a total of approximately 673 staff members, among which the staff with bachelors' degree or above accounted for approximately 81.3%. The Health Management Segment cooperated with top-notch international professional teams and established a pool of talents with strong academic background, excellent caliber and international vision.

Contingent Liabilities

For the year ended 31 December 2017, the Group had no material contingent liabilities (31 December 2016: nil).

DIVIDEND

The Directors do not recommend the payment of dividend for the Year (year ended 31 December 2016: Nil).

AUDIT COMMITTEE

The Audit Committee is composed of all the three independent non-executive Directors of the Company.

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and reviewed the Group's annual results and financial statements for the Year.

The figures in this preliminary announcement of the results of the Group have been agreed to the amounts set out in the Group's consolidated financial statements for the Year by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance will be expressed on the preliminary announcement.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the Year, except as disclosed below.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 1 January 2017 to 16 March 2017, the Company fully complied with the Code provision A.2.1. Since Mr. Peng Sheng resigned from the position of executive Director of the Company from 17 March 2017, the Company did not have any officer with the title of Chief Executive Officer. During such period, the overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself.

Model Code for Securities Transactions

The Company had adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

2018 ANNUAL GENERAL MEETING

As at the date of this announcement, the Company has not determined the date on which the Company's 2018 annual general meeting will be held and the relevant book closure arrangement. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

PUBLICATION OF THE ANNUAL RESULTS

This annual results announcement is published on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (www.evergrandehealth.com).

FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this announcement or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

By Order of the Board
Evergrande Health Industry Group Limited
Tan Chaohui
Chairlady

Hong Kong, 23 March 2018

As at the date of this announcement, the executive directors of the Company are Ms. Tan Chaohui and Mr. Han Xiaoran; and the independent non-executive directors of the Company are Mr. Chau Shing Yim, David, Mr. Guo Jianwen and Mr. Xie Wu.